

## **Program Summary Arizona State Lottery Commission Lottery Distributions**

### Agency Description

The Arizona State Lottery Commission is responsible for administering sanctioned games of chance. Arizona-specific games include The Pick, Pick 3, Fantasy 5, Bingo Scratchers, and Instant Scratchers. Arizona also participates in the multi-state Powerball on-line game.

The Commission distributes its revenues to the state General Fund, Mass Transit, the Local Transportation Assistance Fund, the County Assistance Fund, the Heritage Fund, Healthy Arizona funds, the Commerce and Economic Development Commission, Court Appointed Special Advocates, and the Department of Gaming.

### Funding Distributions

Please refer to the attached chart to see FY 2007 actual distributions by game along with the statutory amounts. The chart also lists FY 2007 actual state program beneficiary distributed amounts along with the statutory capped amounts. *Table 1* lists historical distributions by game, while *Table 2* lists historical distributions for each beneficiary from FY 2001-FY 2007.

#### *Powerball (Group 1)*

Pursuant to A.R.S. § 5-505.B, at least 29% of total revenues from the sale of Powerball tickets are to be used for distribution to the Commission's beneficiaries. For FY 2003-FY 2007, session laws were passed which required the Commission to return at least 31.6% of revenues back to the state. This session law was not continued in FY 2008. In FY 2007, \$45.5 million was available for allocation. *(Please see Group 1 on the attached chart.)*

Powerball's first beneficiary is the state General Fund, which can receive up to \$31 million (A.R.S. § 5-522.F). Laws 2006, Chapter 351, however, provided that the General Fund could receive up to \$37 million in FY 2007.

After the General Fund obligation is met, Mass Transit (also known as the Local Transportation Assistance Fund II) can receive up to \$18 million (A.R.S. § 5-522.A.3). In FY 2007, Mass Transit received \$8.5 million from Powerball. *(Mass Transit may also receive monies from Pick 3 and Bingo Scratchers. See below.)* These monies are used by cities to improve public transportation through projects such as Dial-A-Ride, sidewalk construction, and resurfacing roadways.

If any monies are left from Powerball profits after the General Fund and Mass Transit have received their statutory capped amounts, the remaining monies would flow through Group 3. There were not any remaining Powerball profits in FY 2007 to flow to Group 3 since Mass Transit only received \$8.5 million.

#### *Pick 3 and Bingo Scratchers (Group 2)*

Pick 3 and Bingo Scratchers distribute funding as follows:

- Pursuant to A.R.S. § 5-505.B, at least 29% of total revenues from the sale of Pick 3 on-line game tickets are to be used for beneficiary distribution. In FY 2007, \$3.0 million was available for distribution.
- Pursuant to A.R.S. § 5-505.B, at least 21.5% of total revenues from the sale of Bingo Scratchers tickets are to be allocated for beneficiary distribution. In FY 2007, \$9.9 million was available. *(Please see Group 2 on the attached chart.)*

In FY 2007, a total of \$12.8 million was available from Pick 3 and Bingo Scratchers for distribution. The first beneficiary for this group of revenues is the Heritage Fund. This fund can receive up to \$20 million (A.R.S. § 5-522.D) from instant ticket revenues. The fund divides its distribution in half to the Arizona State Parks Board and the Arizona Game and Fish Commission for trails, parks, natural areas, wildlife conservation activities, and historic preservation.

After the Heritage Fund receives its monies, the General Fund can receive up to \$10 million (A.R.S. § 5-522.A.4) from Pick 3 and Bingo Scratchers. Then whatever monies remain are split 70% to Mass Transit and 30% to Healthy Arizona funds. If Mass Transit already has reached its \$18 million cap, then those remaining monies would flow through The Pick, Fantasy 5, and Instant Scratchers beneficiaries.

In FY 2007, the General Fund received its \$10 million cap and Mass Transit received \$1.3 million from Pick 3 and Bingo Scratchers profits, and there were not any remaining monies. Beginning in FY 2008, the Department of Economic Security (DES) can receive up to \$1 million for homeless shelters once Healthy Arizona receives its statutory cap. *(Please see the Legislative Changes section.)*

*The Pick, Fantasy 5, & Instant Scratchers* (Group 3)  
The Pick, Fantasy 5, and Instant Scratchers distribute funding as follows:

- Pursuant to A.R.S. § 5-505.B, at least 29% of total revenues from the sale of The Pick on-line game tickets are to be allocated for beneficiary distribution. In FY 2007, \$17.4 million was available for distribution.
- Pursuant to A.R.S. § 5-505.B, at least 29% of total revenues from the sale of Fantasy 5 on-line game tickets are to be allocated for beneficiary distribution. In FY 2007, \$4.2 million was available for distribution.
- Pursuant to A.R.S. § 5-505.B, at least 21.5% of total revenues from the sale of Instant Scratchers tickets are to be allocated for beneficiary distribution. In FY 2007, \$54.4 million was available. (*Please see Group 3 on the attached chart.*)

In FY 2007, \$76 million was available for allocation from The Pick, Fantasy 5, and Instant Scratchers profits. The group's first beneficiary is the Local Transportation Fund (LTAF). LTAF can receive up to \$23 million (A.R.S. § 5-522.B), which it did in FY 2007. These monies are used for statewide transportation purposes, such as street lighting, airport projects, Meals-on-Wheels programs, and street maintenance.

After LTAF receives its monies, the County Assistance Fund can receive up to \$7.65 million (A.R.S. § 5-522.B), which it did in FY 2007. Each county receives a portion of this distribution, and monies are spent at the discretion of each county.

Together with revenues from the previously discussed Pick 3 and Bingo Scratchers profits, the Heritage Fund is next in line to receive its \$20 million cap. Between these 2 funding sources, the fund received its cap in FY 2007.

Healthy Arizona funds are next in line to receive monies. Once Healthy Arizona reached its \$17 million statutory limit (A.R.S. § 5-522.E) in FY 2005, annual adjustments based on changes in the GDP price deflator are to be made to the cap in each subsequent fiscal year. The FY 2007 cap was \$20.7 million, which it did receive from the Pick 3/Bingo Scratchers and The Pick/Fantasy 5/Instant Scratchers revenues.

The Healthy Arizona monies are distributed among the following agencies: 29.4% to DES for the Health Families Program, 23.5% to the Arizona Board of

Regents for the Arizona Health Education Center program, 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention, 11.8% to DHS for the Disease Control Research Center, 11.8% to DHS for the Health Start program, and 5.9% to DHS for the Women, Infants, and Children food program.

If Healthy Arizona receives its cap, any remaining monies revert to the General Fund. In FY 2007, the General Fund received \$5.9 million in remaining monies from The Pick/Fantasy 5/Instant Scratchers revenues. Beginning in FY 2008, the DES can receive up to \$1 million for homeless shelters once Healthy Arizona receives its statutory cap. (*Please see the Legislative Changes section.*)

#### *Economic Development Scratchers*

Pursuant to A.R.S. § 5-522.A.2, at least 21.5% of total revenues from the sale of 2 special lottery game tickets are to be allocated for the benefit of economic development. In FY 2007, \$2.9 million was available. Revenues are allocated to the Commerce and Economic Development Commission, and are used for supporting the state's economic development efforts, such as creating and retaining jobs in Arizona and attracting new businesses.

#### *Unclaimed Prizes*

Pursuant to A.R.S. § 5-518, 30% of unclaimed prize monies are to be transferred to the Court Appointed Special Advocates (CASA). In FY 2007, \$2.7 million was transferred. CASA receives the 30% of unclaimed prize monies to train individuals who volunteer their time to help the court system determine what is best for abandoned, abused, and neglected children who have come under the court's care.

#### *Department of Gaming*

Money is appropriated to the Department of Gaming to help implement the 2002 Proposition 200, which increased regulatory responsibility for the department, such as the prevention of problem gambling. The amount of \$300,000 has been appropriated for problem gambling since FY 2004. Although the funding is used to help the department implement Proposition 200, it is subject to Legislative appropriation.

#### Legislative Changes

Laws 2007, Chapter 260 revised the Commission distributions, and annually appropriates \$1 million to the Department of Economic Security (DES) beginning in FY 2008 (A.R.S. § 5-522.G). DES shall use the monies to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and

related support services. When referring to the attached chart, this new fund would receive monies from the Pick 3/Bingo Scratchers and The Pick/Fantasy 5/Instant Scratchers profits and would fall after the Healthy Arizona distribution but before all remaining monies revert to the General Fund.

<b>Table 1</b>								
<b>Historic Lottery Distributions by Game</b>								
(\$ in Millions)								
	<u><b>FY 2001</b></u>	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>	<u><b>Total <sup>1/</sup></b></u>
Powerball	\$25.4	\$32.9	\$38.2	\$45.4	\$36.9	\$55.5	\$45.5	\$279.7
Pick 3	2.1	2.0	2.1	2.2	2.3	2.6	3.0	16.1
Bingo								
Scratchers	5.7	6.0	6.3	6.5	10.0	9.1	9.9	53.5
Pick	14.1	12.4	10.8	10.8	17.5	14.0	17.4	97.0
Fantasy 5	3.1	3.1	3.1	3.1	3.0	3.3	4.2	22.7
Instant								
Scratchers	24.1	26.3	29.2	35.2	41.0	49.8	54.4	260.0
Economic								
Development	3.3	2.3	2.9	2.7	3.0	4.0	2.9	18.2
Unclaimed								
Prizes	<u>1.5</u>	<u>1.9</u>	<u>3.3</u>	<u>1.9</u>	<u>2.6</u>	<u>2.9</u>	<u>2.7</u>	<u>16.8</u>
<b>TOTAL <sup>1/</sup></b>	<b>\$79.3</b>	<b>\$86.8</b>	<b>\$95.7</b>	<b>\$107.8</b>	<b>\$116.4</b>	<b>\$141.1</b>	<b>\$139.9</b>	<b>\$767.0</b>
<sup>1/</sup> Totals might not add due to rounding.								

<b>Table 2</b>								
<b>Historic Lottery Distributions by State Program</b>								
(\$ in Millions)								
	<u><b>FY 2001</b></u>	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>	<u><b>FY 2004</b></u>	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>	<u><b>Total <sup>3/</sup></b></u>
General Fund	\$23.3	\$33.5	\$34.5	\$35.3	\$37.8	\$45.3	\$52.9	\$262.6
Mass Transit	3.7	1.0	6.0	13.5	5.1	18.0	9.8	57.1
LTAF	23.0	23.0	23.0	23.0	23.0	23.0	23.0	161.0
CAF	7.7	7.7	7.7	7.7	7.7	7.7	7.7	53.6
Heritage Fund	17.0	17.5	18.6	20.0	20.0	20.0	20.0	133.1
Healthy AZ	0.0	0.0	0.0	3.7	17.0	20.0	20.7	61.3
CEDC	3.2	2.2	2.7	2.7	3.0	4.0	2.9	20.7
CASA	1.5	1.9	3.3	1.9	2.6	2.9	2.7	16.8
Gaming <sup>1/</sup>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>2.6</u>
<b>TOTAL <sup>2/3/</sup></b>	<b>\$79.3</b>	<b>\$86.8</b>	<b>\$95.7</b>	<b>\$107.8</b>	<b>\$116.4</b>	<b>\$141.1</b>	<b>\$139.9</b>	<b>\$767.0</b>
<sup>1/</sup> In FY 2001 - FY 2003, these amounts were appropriated to Lottery's Compulsive Gambling Treatment and Information Special Line Item.								
<sup>2/</sup> FY 2001 - FY 2004 totals do not include the Department of Gaming transfers.								
<sup>3/</sup> Totals might not add due to rounding.								

## FY 2007 Arizona Lottery Commisison Distributions by Game and State Program

